

**Overhead Rate Methodology:**

Office of Management and Budget ("OMB") Circular A-25, as revised July 8, 1993, requires Federal agencies to conduct a biennial reassessment of their user charges. Based on that review, fees should be adjusted and new fees established as necessary. Circular A-25 requires that a reasonable charge should be made to each recipient for a measurable unit or amount of Government service from which the recipient derives a benefit, so that the Government recovers the full cost of rendering that service.

OMB Circular A-25 breaks the overhead calculation into four basic parts

- (1) Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in Circular No. A-11
- (2) Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment.
- (3) The management and supervisory costs
- (4) The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements

Of these four parts "the management and supervisory costs" will be captured in the calculation of indirect labor and "the costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements" are included in the calculation of the direct labor. This leaves the calculation of direct and indirect labor and physical overhead.

The decision was made to use the percentage of agency FTEs assigned to the fee generating activities to quantify the allocated cost of the different categories to the fee generating activities. To calculate user fees we utilized the most current fiscal year for which there is complete data. The latest data available are actual costs for fiscal year 2015. During fiscal year 2015 the FMC had a total of 116.54 FTEs of which 37.55 were assigned to the fee generating activities. This resulted in a percentage of FTEs assigned to the fee generating activities of 32.22% ( $37.55/116.54$ ). This percentage was used to identify the total amount of each overhead category for the fiscal year that was attributable to the fee generating activity.

**Direct Labor**

Direct labor was arrived at by requesting an updated analysis study by the fee generating activities whereby they identified the time it takes their respective unit to process or provide the good and/or service. The fee generating activities were asked to identify the position, grade of the individual performing the task and the number of hours they spent on each good and/or service. This

information is input into a data form that calculates the total direct labor cost based upon the hourly wage and time spent on the process. The step 5 level was used for each GS grade identified to arrive at an average hourly rate for each grade. For all other non-GS grades the actual salary was used. The salaries were then divided by 2,087 hours.

### **Indirect Labor**

Indirect labor was arrived at by identifying those bureaus or offices that provide direct support to the fee generating offices in their effort to provide goods and/or services to Commission customers. The Office of Information Technology, Office of Human Resources, Office of Budget and Finance and the Office of Management Services were all included in the indirect labor figure. OMB Circular A-25 states that "Direct and indirect personnel costs, including salaries and fringe benefits" are to be included in the calculation. The fringe benefit percentage, also known as Government Fringe, applied to all salary components is 36.25%.

Insurance and Health benefit	7.00%
Standard Civilian Retirement Benefit	26.10%
Medicare Benefit	1.45%
Miscellaneous Fringe Benefit	<u>1.70%</u>
Total Government Fringe	36.25%

The government fringe rate can be found in OMB Memo M-08-31. The government fringe is applied to the salary component to arrive at the Commission's total personnel costs for those supporting bureaus and/or offices.

### **Overhead.**

The total overhead rate includes a percentage based upon direct labor, indirect labor and physical overhead. The costs for contractors not directly involved in providing the goods and/or services were removed from the physical overhead total.

### **Basic Overhead.**

To arrive at the overhead percentage to use in the recovery of all costs for overhead and indirect labor, we identified the percent of total fee generating activities salaries it will take to recoup the total overhead costs attributable to the fee generating activities. This is done by dividing the costs associated with the different categories of physical overhead and supporting salaries as identified by the total fee generating activities salaries for FY15.

This resulted in a physical overhead rate of 56.64% and an indirect salary rate of 22.00%. These two rates are added together to arrive at the basic overhead rate of 78.64% to recoup the FMC's basic cost to provide goods and/or services to its customers.

The basic overhead rate of 78.64% is combined with the government fringe percentage of 36.25% required by OMB for a total overhead percentage rate of 114.89%. For every dollar of direct labor cost to provide goods and/or services, an additional \$1.15 is required to recoup the total cost to provide the goods and/or services.

User Fee Calculations for Fiscal Year 2015

CFR Reference	Application or Service	Current Fee	Proposed Fee	Difference	% Change
<b>Part 502</b>					
502.51(a)	Petitions for rulemakings	\$241	\$0	(\$241)	Deleted
502.75(a)(3)	Petitions for declaratory orders	\$241	\$289	\$48	20%
502.76(b)	Petitions for relief	\$241	\$289	\$48	20%
502.271(a)(5)	Special Dockets	\$77	\$117	\$40	52%
502.62(a)(6); 502.182	Formal Complaints	\$221	\$289	\$68	31%
502.304(b)	Informal Procedures	\$67	\$85	\$18	27%
<b>Part 503</b>					
503.50(c)(1),(2),(3)	Search, review and copying of documents				
	Copy Minimum	\$4.75	\$5.00	\$0	5%
503.69(b)(1)	Copy Per Page	\$0.05	\$0.10	\$0	100%
	Clerical Administrative Personnel (hourly)	\$19	\$27	\$8	42%
	Professional/executive Personnel (hourly)	\$48	\$57	\$9	19%
	FOIA review (hourly)	\$79	\$57	(\$22)	-28%
503.50(c)(4); 503.69(b)(2)	Minimum charge for records search	\$19	\$27	\$8	42%
503.50(d)	Validation of Documents	\$94	\$84	(\$10)	-11%
	Mailing List	\$9	\$0	(\$9)	Deleted
503.50(e) [503.50(d)]	Non-Attorney Admission to Practice	\$104	\$153	\$49	47%
<b>Part 515</b>					
515.5(c)(2)(i)	Application for License (paper)	\$825	\$1,055	\$230	28%
	OTI Application (electronic filing)	\$250	\$250	\$0	0%
515.5(c)(2)(ii)	Application for Status Change (paper)	\$525	\$735	\$210	40%
	OTI Amendment (electronic filing)	\$125	\$125	\$0	0%
515.34	Sale to Public of RPI	\$108	\$0	(\$108)	Deleted
<b>Part 520</b>					
520.14(c)(1)	Application for Special Permission	\$195	\$299	\$104	53%
<b>Part 530</b>					
530.10(c)	Clerical Errors on Service Contracts	\$315	\$95	(\$220)	70%
<b>Part 531</b>					
531.8(b)(1)	Clerical Errors on NVOCC Service Arrangements	\$276	\$95	(\$181)	-66%
<b>Part 535</b>					
535.401(g)	New Agreement Requiring Commission Review	\$1,780	\$3,218	\$1,438	81%
	Agreement Amendments Requiring Commission Review	\$851	\$3,218	\$2,367	278%
	Agreement Filing Review under Delegated Authority	\$397	\$526	\$129	32%
	Carrier Exempt Filing	\$138	\$303	\$165	120%
	Terminal Exempt Filing	\$75	\$90	\$15	20%
535.401(h)	Database Report on Effective Carrier Agreements	\$6	\$0	(\$6)	Deleted
535.401(h); 535.605	Expedited Review Request	\$0	\$159	\$159	New
<b>Part 540</b>					
540.4(e)	Passenger Vessel Certificate (performance)	\$2,767	\$2,284	(\$483)	17%
	Add/Sub Vessel (performance)	\$1,382	\$1,224	(\$158)	11%
540.23(b)	Passenger Vessel Certificate (casualty)	\$1,206	\$1,085	(\$121)	-10%
	Add/Sub Vessel (casualty)	\$605	\$593	(\$12)	-2%
<b>Part 550</b>					
550.402	Petitions	\$241	\$289	\$48	20%
<b>Part 555</b>					
555.4(a)	Petitions	\$241	\$289	\$48	20%
<b>Part 560</b>					
560.3(a)(2)	Petitions	\$241	\$289	\$48	20%